

**MINUTES
of the
SECOND MEETING
of the
CAPITAL OUTLAY SUBCOMMITTEE
of the
NEW MEXICO LEGISLATIVE COUNCIL
and the
LEGISLATIVE FINANCE COMMITTEE**

**September 20-21, 2007
Room 307, State Capitol
Santa Fe**

The second meeting of the Capital Outlay Subcommittee of the New Mexico Legislative Council and the Legislative Finance Committee for 2007 was called to order at 10:25 a.m. by Speaker of the House Ben Lujan, co-chair, in Room 307 of the State Capitol in Santa Fe.

Present

Rep. Ben Lujan, Co-Chair
Sen. Ben D. Altamirano, Co-Chair
Sen. Carlos R. Cisneros
Sen. Dianna J. Duran
Sen. Leonard Lee Rawson (Sept. 20)

Absent

Sen. Kent L. Cravens
Sen. Carroll H. Leavell
Rep. W. Ken Martinez
Rep. Brian K. Moore
Rep. Thomas C. Taylor

Rep. Henry Kiki Saavedra
Sen. Michael S. Sanchez (Sept. 20)
Rep. Edward C. Sandoval
Sen. John Arthur Smith (Sept. 21)
Rep. Jeannette O. Wallace
Rep. Teresa A. Zanetti

Advisory Members

Rep. Janice E. Arnold-Jones (Sept. 21)
Sen. H. Diane Snyder

Sen. Stuart Ingle
Sen. Timothy Z. Jennings

(Attendance dates for those members attending part of the meeting are shown in parentheses.)

Staff

Ric Gaudet, Legislative Council Service (LCS)
Renée Gregorio, Capital Outlay, LCS
Linda Kehoe, Capital Outlay Coordinator, Legislative Finance Committee (LFC)
Jeannae Leger, LFC
Paula Tackett, Director, LCS
Tom Pollard, LCS

Guests

The guest list is in the meeting file.

Handouts

Copies of handouts given by meeting presenters are in the meeting file.

Thursday, September 20

Critical Statewide Capital Project Priorities

Due to scheduling conflicts with some cabinet secretaries, the Corrections Department, General Services Department (GSD) and Department of Public Safety (DPS) secretaries presented their agency requests, with discussion and questions from subcommittee members after the presentations.

Corrections Department

Secretary of Corrections Joe R. Williams presented critical capital project needs of the Corrections Department to the subcommittee. Secretary Williams said that the department has over \$100 million in capital outlay needs in the next several years. It has identified \$20 million in its most critical projects for funding in the upcoming legislative session.

- Emergency Kitchen Renovations \$4,500,000 total
 - Southern New Mexico Correctional Facility (SNMCF) \$1,750,000
 - Central New Mexico Correctional Facility (CNMCF) \$1,750,000
 - Roswell Correctional Center (RCC) \$1,000,000

- Security Upgrades Statewide \$9,000,000 total
 - Maximum Security Door Upgrades
 - Western New Mexico Correctional Facility (WNMCF) \$2,000,000
 - CNMCF \$2,000,000
 - Maximum Security Facility Upgrades
 - Penitentiary of New Mexico (PNM) \$1,250,000
 - WNMCF \$1,250,000
 - Fire Alarm Upgrades
 - RCC \$150,000
 - CNMCF \$200,000
 - Springer \$150,000
 - Control Room Renovations
 - CNMCF \$200,000
 - SNMCF \$200,000
 - Perimeter Detection Systems
 - PNM \$350,000
 - WNMCF \$500,000

Springer Corridor Slider Installation	\$500,000
Guard Tour Systems and Intercom Projects	
CNMCF	\$150,000
WNMCF	\$100,000
● Statewide Facilities Building Repair and Equipment	\$6,500,000 total
CNMCF	\$2,250,000
SNMCF	\$2,250,000
WNMCF	\$2,000,000

Representative Sandoval asked if the department has received any previous funding for the kitchen facilities projects. Secretary Williams said that there was funding of \$2 million for statewide repairs, of which some was allocated for the kitchens. He said the LFC had requested that the department implement a staged plan for its upgrades, which it is now doing.

Senator Rawson asked if the Corrections Department priorities have been reprioritized by another executive department. Secretary Williams said that the department's priorities have not been changed by another agency. Senator Rawson then asked if the department is requesting funding for new bed capacity. Secretary Williams said that it is not trying to increase capacity this year, but that the new private Clayton facility will soon be in operation. He said that by November 2008, the department will submit its long-term facility plan, which he said will basically consist of the department expanding bed capacity of medium-security facilities and upgrading to maximum-security facilities.

Senator Sanchez asked what problems exist at the CNMCF. Secretary Williams said that the kitchen, which has been in use since 1983, is in a very degraded condition. The department needs to gut the kitchen and completely renovate it. Senator Sanchez asked whether the former Bernalillo County Detention Center (BCDC) could be used by the department for inmates. Secretary Williams said that the BCDC as it now exists does not meet the standards of the *Duran* Consent Decree, which specifies a minimum square footage per cell.

Senator Sanchez asked whether the state will be paying the private contractor of the Clayton prison the same rate it now pays for housing its maximum-security prisoners. Secretary Williams said that the state will be paying a lower rate. He said that private prisons are allowed to house two prisoners per cell, while the state is required to house just one. Secretary Williams said that the average cost to house a prisoner by the state is \$88.00, and by a private contractor is \$70.00, including health care costs.

Senator Sanchez asked what the department is doing to provide treatment to drug-addicted prisoners. Secretary Williams said that New Mexico leads the nation in providing treatment for substance abuse, and currently the department has enough bed space for its program.

Senator Altamirano asked if the department has incorporated any elements of the Second Chance Program. Secretary Williams said that there are too many security issues involved in allowing state prisoners access to saunas and other alternative treatment modalities.

General Services Department

Secretary of General Services Arturo L. Jaramillo presented to the subcommittee the GSD's fiscal year 2009 Infrastructure Capital Improvements Plan (ICIP). The total request for the upcoming legislative session is \$53.5 million, but the department has hundreds of millions of dollars in needed repairs and upgrades. He said that the highest priority for the department is finishing the Santa Teresa Port of Entry.

● Statewide Repair Projects	\$10,000,000
● South Capitol Complex Infill, Phase I	\$1,500,000
● Santa Teresa Port of Entry	\$6,000,000
● Lujan Building Internal Systems Reconstruction	\$14,000,000
● Replace Aging Aircraft	\$4,000,000
● Santa Fe Health and Human Services Complex, Phase I	\$6,500,000
● Central Capitol Complex Master Plan	\$1,500,000
● Las Cruces State Office Building	\$9,000,000
● Turquoise Lodge Upgrades for New Use	\$1,000,000

Senator Rawson asked what percentage of the statewide repair projects is due to cost-overruns. Secretary Jaramillo said that very little is allocated in the repair line-item for cost-overruns. Senator Rawson asked where exactly the \$10 million for repairs is going to be spent. Secretary Jaramillo said that there is a process that agencies go through to receive funding for repairs, which involves using the state's index of facility conditions. Senator Rawson asked that the department provide a specific list of repairs to be funded.

Speaker Lujan asked whether the department's list of priorities corresponds with state agencies' ICIP. Ms. Kehoe said that it appears to track the agency ICIP, which was submitted in July.

Representative Zanetti asked why there is a discrepancy between the GSD's Santa Teresa request for \$6 million and the DPS' request of \$4.5 million. Bill Taylor, director of the Property

Control Division of the GSD, said that the \$6 million figure is the new estimate to complete the entire facility. The DPS amount would not need to be funded in addition to the GSD amount.

Senator Sanchez suggested that the Turquoise Lodge be converted from its previous alcohol treatment role into an inpatient methamphetamine treatment facility or mental health facility, instead of being used as a jail for the Children, Youth and Families Department (CYFD). Secretary Jaramillo said that his staff will explore the idea.

Department of Public Safety

Secretary of Public Safety John Denko presented to the subcommittee the DPS' capital priorities for fiscal year 2009. The total requested for its priorities is \$69.7 million, with the total for all projects requested at \$92 million. The following are only the DPS priorities:

● Annual Fleet Replacement of 329 Vehicles	\$6,700,000
● State Police District Offices in Las Cruces and Las Vegas	\$7,000,000
● State Crime Laboratory in Santa Fe	\$35,000,000
● Lordsburg Port of Entry	\$8,300,000
● Finish Albuquerque DPS District Office	\$800,000
● Inspection and Administration Building at Oro Grande	\$4,400,000
● Santa Teresa Port of Entry	\$4,500,000
● Renovations and Upgrades Statewide	\$3,000,000

Senator Rawson expressed concern that the department's request for the two new state police offices in Las Cruces and Las Vegas would not be enough. He said the legislature already funded \$2.5 million each for those offices, and he does not want the department to come back to the legislature a third time if the amount funded is too little. Anthony Pacheco of the DPS said that the current request is enough to finish both facilities.

Senator Rawson asked why the DPS does not want to construct its crime laboratory in Albuquerque in conjunction with the state-funded crime laboratory, known as the Tri-Labs. Secretary Denko responded that the DPS needs a laboratory in Santa Fe, which has been part of its master plan for years. It would be difficult to provide the necessary oversight and control of its laboratory if it is located far from the department headquarters. It would still need its own separate secure space if it is part of the Tri-Labs.

Representative Sandoval asked who made the decision not to be a part of the Tri-Labs. Secretary Denko said that he made that decision, in consultation with other administrative officials and some legislators. Representative Sandoval suggested that the department reconsider its decision to build its own crime laboratory in Santa Fe. He said that by joining Tri-Labs, the costs to the state would only be \$17 million, rather than the requested \$35 million.

Secretary Denko said that, currently, the state police crime laboratory is in terrible shape and is seriously undersized. The plan that had put the state police laboratory in Albuquerque had only allotted 50% of the space that the DPS needs, which explains the cost discrepancy. He said the DPS is not trying to compete with the Tri-Labs. The DPS does not need a laboratory in Albuquerque and needs to keep most of its laboratory space separate from other agencies. He said that the design for the Santa Fe laboratory allows for easy expansion in the future.

Senator Altamirano suggested that Secretary Denko meet with legislators and administrative officials to agree on a laboratory site.

Senator Sanchez suggested that the DPS build its crime laboratory in the center of the state, at the old hospital and training center in Los Lunas. Secretary Denko responded that the department needs to have supervision and control of the laboratory at central command. The laboratory needs a lot of coordination to process evidence quickly, and that can only happen in Santa Fe. Senator Sanchez said he is not concerned that a location outside of Santa Fe would not have sufficient supervision and coordination and said that a central location in the state with much cheaper land would be a good idea to investigate.

Secretary Denko said that the GSD already owns the land on which the laboratory would be located. The \$35 million cost would be all that is necessary to build and equip the facility.

Representative Zanetti asked how much the appropriation was that the DPS declined to accept for planning studies to join the Tri-Labs. Secretary Denko said the appropriation was for \$1 million. Representative Zanetti then asked if the Tri-Labs will serve only Bernalillo county. Secretary Denko responded that is correct, and the state police crime laboratory will serve the rest of the state.

Speaker Lujan asked if the DPS has applied for federal homeland security funding for the crime laboratory. Secretary Denko said that the department investigated the possibility a couple of years ago, but it became clear that crime laboratories would not be funded easily by the federal government because they are more crime-related than terrorism-related. Speaker Lujan said he supports the DPS' decision to locate the laboratory in Santa Fe.

Representative Sandoval asked whether police car equipment is included in the DPS request for more police vehicles. Secretary Denko said that equipment is usually included in the budget request, but cars go through the capital outlay process.

Senator Altamirano said he wants the Lordsburg Port of Entry to get high priority for funding. He also suggested that more police patrols operate in southwestern New Mexico. Secretary Denko said that the entire state police force is understaffed by 170 officers.

The subcommittee broke for lunch until 1:30 p.m.

Critical Statewide Capital Project Priorities, Continued

Department of Health

Dr. Alfredo Vigil, secretary of health, presented to the subcommittee the department's plans for a new school of dentistry to be located at the University of New Mexico (UNM). The state is in dire need of more dentists, and starting a school will be an important step in alleviating the shortage. Estimates for the capital needs of the school range between \$34 million and \$46 million.

Representative Sandoval asked why there is such a large range in the possible price of the facility. Secretary Vigil responded that the cost will depend on how big the school is. He said the department will be meeting with the Higher Education Department and UNM in October to define more precisely the program design, partnerships, implementation and costs.

Senator Rawson asked whether a school of dentistry is more important than a state crime laboratory or a rodeo arena. Secretary Vigil declined to offer an opinion about setting statewide priorities.

Senator Snyder told Secretary Vigil that, until she receives a satisfactory answer from the department about why it allows medical marijuana participants to procure their own supply of marijuana, specifically against the legislature's intent, she and other legislators will be reluctant to fund any department capital outlay request.

Duffy Rodriguez, deputy secretary of health, presented the department's capital outlay requests for funding in the upcoming legislative session.

- Facility Patient Health and Safety \$5,859,000 total
 - Behavioral Health Institute (BHI) Bathrooms \$702,000
 - BHI Panic Button System \$600,000
 - BHI Fire Sprinkler System \$1,057,000
 - BHI Forensic Building Security \$3,500,000
- Facility Continued Construction/Renovation \$54,205,000 total
 - BHI Long-Term Care Facility Expansion to 180 Beds \$32,300,000
 - NM Rehabilitation Center Finalize Project \$2,500,000
 - NM State Veterans' Home Construction \$18,800,000
 - BHI Floor Repair and Renovation \$275,000
 - BHI La Planta and House 322 Renovation \$330,000

● Public Health Offices (PHO)	\$4,000,000 total	
Roosevelt County PHO Addition		\$1,500,000
Espanola Health Commons—Finish Construction		\$1,700,000
Sunland Park PHO Improvements and Renovations		\$500,000
Alamogordo PHO Improvements and Renovations		\$300,000
● Facility Upgrades Statewide	\$5,000,000	
● Scientific Laboratory Division Equipment	\$450,000	

Senator Sanchez asked how many public health offices are leased, rather than state-owned. Ms. Rodriguez said that all facilities are owned by the local government, and none are leased.

Children, Youth and Families Department

Bill Dunbar, deputy secretary of children, youth and families, reviewed for the subcommittee the CYFD's capital outlay requests for fiscal year 2009. The total requested amount is for \$18,041,000.

● J. Paul Taylor Center Gymnasium—Finish Construction	\$3,200,000
● Youth Diagnostic Development Center (YDDC) Waterline Repairs	\$1,000,000
● Statewide Automated Security Systems	\$1,000,000
● YDDC Best Practice Positive Peer Culture Architectural and Engineering Services	\$200,000
● YDDC Old Sandia Remodel	\$4,000,000
● YDDC White House Demolition and Replacement	\$850,000
● YDDC and J. Paul Taylor Center Portable Buildings	\$531,000
● Eagle Nest and Camp Sierra Blanca Buildings and Grounds Projects	\$800,000
● Maloof Office Complex Building Repairs	\$1,500,000
● YDDC Kitchen Remodel	\$700,000
● YDDC Americans with Disabilities Act of 1990 Upgrades	\$1,300,000
● YDDC Backup Generator	\$1,000,000

- J. Paul Taylor Center Storage Building/HVAC/Tractor \$600,000
- YDDC Stucco and Reroofing \$450,000
- Springer Area 1 Storage Warehouse and Kitchen \$750,000
- J. Paul Taylor Center Parking Lot Expansion \$160,000

Representative Saavedra expressed concern about the quality of construction and planning for the J. Paul Taylor Center.

Representative Sandoval asked how long would it take to complete the replacement of the water lines at YDDC. Mr. Taylor of the Property Control Division said that after the money is budgeted, the project would take approximately six months.

Speaker Lujan said he thinks the total price tag of \$6 million for the J. Paul Taylor Center gymnasium is high. John Sweeney, deputy secretary of the CYFD, said that the estimate was generated by the Public School Facilities Authority.

Speaker Lujan asked for the total being requested for the YDDC and how many clients it serves. Deputy Secretary Dunbar said that the YDDC has room for 126 clients. The total YDDC request is approximately \$9.7 million. Speaker Lujan suggested that the CYFD relocate to a brand new facility on state-owned land near Los Lunas. The cost for a new facility might be somewhat more than repairing the constantly degrading YDDC, but it would be worth it. The YDDC land could then be used for other more pressing state office buildings at that prime location.

Senator Rawson said that \$6 million for a gymnasium for only 48 juveniles at the J. Paul Taylor Center is too much to spend. He said that is more than the good kids get in the public schools. He also said the parking lot expansion at the center and the Camp Sierra Blanca and Eagle Nest landscaping projects are excessive requests. Mr. Dunbar said that if the CYFD is successful in rehabilitating juveniles, the investment will be worth it. Senator Rawson asked for the CYFD to provide the subcommittee with recidivism rates of juvenile delinquents in New Mexico.

Senator Sanchez expressed support of the mission of the CYFD, saying that the department needs to rehabilitate offenders, not just punish them.

Cultural Affairs Department (CAD)

Secretary of Cultural Affairs Stuart Ashman presented for the subcommittee the CAD's capital budget request for fiscal year 2009. He said that the CAD currently owns and maintains 66 structures in New Mexico and is exempt from Property Control Division management, except for the State Library Building.

● Statewide Museum and Monument Repairs and Upgrades	\$7,098,000
● New Mexico History Museum Furniture and Equipment	\$750,000
● National Hispanic Cultural Center Education Building	\$435,000
● Center for New Mexico Archaeology, Phase I	\$2,250,000
● Farm and Ranch Heritage Museum Exhibits and Venues	
\$1,200,000	
● Museum of International Folk Art Gerard Wing Renovation	\$700,000
● Museum of Space History Spaceport Exhibition	\$500,000
● State Library Interior and Exterior Improvements	\$469,000
● Museum Services Division "Van of Enchantment" Replacement	\$300,000
● Museum of Natural History and Science Educational Facility	\$2,000,000
● Museum of Fine Art Addition Planning	\$150,000
● Public Art Collection Restoration and Conservation	\$100,000
● Jemez and Fort Selden State Monuments Secure Land Options	\$600,000
● National Hispanic Cultural Center Equipment and Collections Storage	\$825,000
● Museum of Indian Arts and Culture Laboratory of Anthropology Library Renovation	\$250,500
● Museum of International Folk Art Renovate Hispanic Heritage Wing	\$100,000
● Museum Services Division Equipment	\$360,000
● Historic Structure Reports and Plans	\$250,000

Representative Sandoval asked how much money the state has spent on the National Hispanic Cultural Center. Secretary Ashman said that \$42 million has been spent to date.

Representative Wallace said that Jemez State Monument is in danger of being ruined by possible development. She supports the department's efforts to protect it.

Senator Snyder suggested that the National Hispanic Cultural Center provide history education in the public schools. Secretary Ashman said that once the current appropriation request is implemented, the center will be able to provide distance education.

State Engineer/Interstate Stream Commission

John D'Antonio, state engineer, and Estevan Lopez, director of the Interstate Stream Commission, presented to the subcommittee several water project priorities for their agencies. The total requested is \$55,321,250 for fiscal year 2009.

● Ground Water Measurement Statewide	\$2,500,000
● Rio Gallinas Surface Water Measurement	\$500,000
● Construction of Elephant Butte Lake Channel	\$1,250,000
● Dam Emergency Repair Statewide	\$120,000
● Rio Chama Surface Water Measurement	\$650,000
● Pecos River Surface Water Measurement Stations	\$600,000
● Mimbres River Surface Water Measurement Stations	\$300,000
● <i>Pecos</i> Settlement	\$5,000,000
● Middle Rio Grande Project Floodway Improvements	\$2,000,000
● Ute Dam Renovation	\$656,250
● Rio Grande Federal Natural Resources Policy	\$2,250,000
● Ute Pipeline	\$4,000,000
● Indian Water Rights Settlements	\$15,000,000
● Salt Basin Aquifer	\$2,000,000
● Dam Rehabilitation Statewide	\$5,000,000
● Cabresto Lake Dam Rehabilitation	\$3,300,000
● Espanola Basin Monitoring Well	\$250,000
● Bear Canyon Dam Remediation	\$3,725,000

● Lake Roberts Dam Remediation	\$700,000
● Costilla Compact System Improvements	\$20,000
● Pecos River Federal Natural Resources Policy	\$500,000
● Strategic Water Reserve	\$5,000,000

Senator Cisneros expressed concern that the Cabresto Lake Dam rehabilitation is not higher on the priority list. He said that many farmers will not be able to irrigate their crops if the state engineer is forced to breach the dam due to safety concerns. Mr. D'Antonio said that replacing the dam would cost the same as repairing it. John Romero of the State Engineer's Office said that storage water rights would have to be secured in order to build a new dam because there are no such water rights covering the current lake.

The subcommittee recessed at 4:45 p.m.

Friday, September 21

Bond Proceed Investments and Arbitrage Issues

Joelle Mevi, chief investment officer of the State Treasurer's Office (STO), gave a presentation to the subcommittee about bond investment practices and arbitrage. She said that the STO invests proceeds of general obligation bonds and severance tax bonds (STBs). Long-term STBs and general obligation bonds are normally tax exempt, while short-term STBs, known as "sponge bonds", are taxable.

Each investment of bond issues is tracked by the STO in order to ensure that the proceeds from the investment do not exceed allowable Internal Revenue Service (IRS) limits. If the state earns too much from tax-exempt bond issues, it will have to refund the excess to the IRS as an arbitrage penalty. The state generally has three years to invest and spend the bond proceeds for the original issuing purpose, but after that period, excess interest earned may have to be rebated to the IRS.

Senator Smith asked whether New Mexico has paid arbitrage recently. Joaquin Lujan of the STO said that the state has not paid arbitrage in several years, but that currently it is earning positive arbitrage. The STO recently decided that paying some arbitrage would be beneficial to the state because the state will be paying most, but not all, of the excess earnings. Planned arbitrage is not a problem, he said. Surprise arbitrage penalties would be a big problem because the state would have been planning to spend that money elsewhere.

Speaker Lujan asked why the state issues taxable bonds. Mr. Pollard said that most taxable bonds are sponge bonds, which allows the state to avoid the IRS' complex arbitrage calculations and restrictions on use of the proceeds.

Representative Zanetti asked how much in issued bond proceeds remains outstanding and whether the STO invests revenue bond proceeds for local governments. Mr. Lujan said that there are \$1.2 billion in state-issued bond proceeds that the STO is currently managing. He said that the STO invests the short-term investment fund on behalf of local governments, but the STO does not necessarily know the source of the funds. Representative Zanetti asked that the STO provide the real yield of investments, taking into account inflation.

Executive Statewide Project Selection Process

Secretary of Finance and Administration Katherine Miller reviewed for the subcommittee the process the Department of Finance and Administration (DFA) uses in selecting capital projects for recommendation to the legislature for funding and provided some suggestions to improve the process.

The executive capital budget recommendation is generated from multiple planning processes. Local and state ICIPs, public school and higher education agencies, the Capitol Buildings Planning Commission, state planning entities for various issues and local and legislative hearings all play a part in developing the recommendation. Capital planning provides opportunities to promote long-term infrastructure solutions, to fund fully or phase projects, to fund planning and design of projects first, to prioritize continuation projects, to coordinate funding streams for projects, to assess the benefits to the public and to coordinate projects at the state and local levels.

The executive capital budget package is also developed with an eye toward keeping the state's AA+ bond rating and to maintaining a minimum 10% reserve in the operating budget. As a result, Secretary Miller said, the executive capital recommendation can differ significantly from the LFC recommendation.

Secretary Miller said that 80% of approved capital outlay projects in 2007 went through a planning process. She said the biggest problem is that the state funds projects that are not ready to proceed, and it often only partially funds projects. She suggested that reversion dates need to be made more clear, and said that maybe capital money should not be distributed to local governments that have not completed audits.

Senator Altamirano asked how long New Mexico has had an AA+ bond rating. Secretary Miller replied that it has been at least as long as the current governor has been serving. The state will be able to receive an AAA rating once it fully implements its unified accounting system.

Senator Smith asked about the recent transportation-related task force report that recommends various funding streams to fund transportation projects. Secretary Miller said that the executive is still reviewing the report and will make a recommendation soon.

Senator Smith expressed concern that some universities are using building renewal and replacement funds for new construction. Secretary Miller said she is not aware of that problem, but would look into it. Senator Smith then said that the several executive discretionary funds

that are not statutory will be scrutinized closely by the Senate Finance Committee this upcoming session. He said he hopes to work with the DFA to provide the necessary oversight.

Representative Zanetti expressed concern that small communities often do not have sufficient resources to manage or secure funding for projects, but large institutions do, and they tend to get much more funding. Secretary Miller said that the state would need to completely rethink how it funds local projects in order for that problem to be solved. However, there are existing successful planning and funding entities for public school construction and water and wastewater facilities, which could be used as a model for local project planning. Robert Apodaca, director of the Local Government Division (LGD) of the DFA, said that his division only has seven project managers to help implement all the local projects around the state. Senator Snyder reminded the subcommittee that the Professional Technical Advisory Board provides free technical advice to communities in designing projects.

Representative Zanetti said that the process for funding capital projects for nonprofit entities needs to be reformed. Representative Sandoval agreed and suggested imposing a moratorium on such funding until a better system is implemented.

Senator Duran asked about an apparent inconsistency in how the LGD interpreted language for projects. She said that in two appropriations for planning, design and construction of a building, the LGD allowed money to be spent on a metal building, but in a third appropriation with similar language, the metal building was determined by the LGD not to be within the scope of the authorizing language. She asked the LGD to determine exactly what language it needs in order to be able to build metal buildings and whether bill language should be broad or very narrow. Mr. Apodaca said that he will investigate those projects and find out if his division is being inconsistent.

Senator Smith asked staff to research how other states fund nonprofit entity projects. Secretary Miller said that some local governments incorporate nonprofit projects into their ICIPs and community development block grant proposals. She cited La Familia Medical Center as such a planned nonprofit project.

Senator Snyder asked why the executive is giving \$5 million for a rodeo arena and \$4 million for an equestrian center, instead of investing in existing state fair buildings. She also noted that the state engineer request presented earlier in the meeting does not match the DFA's state agency ICIP. Finally, she said the state is losing millions of dollars in revenue because it does not staff its highway weigh stations 24 hours a day.

Representative Saavedra said that until the DPS starts complying with the new state law he ushered through last session requiring a quick and safe reopening of highways after a traffic accident, he will stall any of its capital outlay requests.

The minutes from the August 17 meeting of the Capital Outlay Subcommittee were adopted.

Planning and Prioritizing Process: Agency Perspectives

Aging and Long-Term Services Department (ALTSD)

Secretary of Aging and Long-Term Services Deborah Armstrong described to the committee the process the ALTSD uses to plan and prioritize funding for its projects across the state. The department has used essentially the same application and review process for more than a decade, she said, and it has worked very well. Senior centers submit requests to their area agencies on aging, which review them and then submit them to the department. The ALTSD then assigns a designation of critical, high, moderate or low to each project.

Currently, there are 535 funded projects being managed by the department, for a total of \$29 million. Secretary Armstrong said that the ALTSD tracks every project to ensure it proceeds according to plan. The only problem that occurs is when projects are funded that have not been planned and prioritized.

Subcommittee members complimented department staff for the good job the department does in planning and implementing its capital outlay projects. Representative Zanetti asked that the department provide the legislature with a list of its critical and high-priority projects, in case funding will be tight.

Higher Education Department (HED)

Secretary of Higher Education Dr. Reed Dasenbrock gave the subcommittee an overview of HED's capital projects review process, as well as proposed new changes to that process. Currently, each institution of higher education submits its five-year facilities plan in June of each year to the HED. The department then holds hearings in September to review those projects and request revisions. Then, the department's Capital Projects Committee meets to make recommendations based on need and the funding constraints of the current funding cycle. The committee submits its recommendations to the secretary, who finally submits the proposed projects to the executive and legislature. This year, said Secretary Dasenbrock, the HED will be recommending only those projects that are most important and that can be fully funded. Institutions are also being asked to incorporate green building standards into their projects.

Proposed changes to the process for next year include establishing data-driven criteria to select projects. Such criteria will include enrollment trends, space utilization ratios, facility condition index (FCI) ranking, funding from other sources and green building standard compliance. Each project would be ranked numerically, based on the criteria. Secretary Dasenbrock said that in order to deal with the \$1.4 billion in deferred maintenance problems across the state, more precedence will be given to projects to improve their FCI ranking than to new buildings.

Senator Smith raised the building renewal and replacement issue with Secretary Dasenbrock and said that the legislature only agreed to fund deferred maintenance problems, not new buildings. He said he does not appreciate institutions making end-runs to fund special

projects. As an example, he cited Western New Mexico University, which received funding for a \$2 million scoreboard, instead of funding much more important projects.

Secretary Dasenbrock said that the HED will only be advocating for planned and prioritized projects this year. All other projects will be off the table until the next funding cycle, he said. Secretary Dasenbrock said he is not aware of any institution using deferred maintenance money for new buildings. However, he said, using that funding source to renovate buildings is appropriate.

Representative Arnold-Jones suggested that health and safety criteria be added to the list of proposed criteria for funding projects. She said the state of student housing at some universities is downright dangerous. Secretary Dasenbrock said that student housing has not been allowed to be funded through general obligation bonds, but only through user fees.

Representative Arnold-Jones asked what the HED is doing to facilitate funding of telecommunications infrastructure to implement the new statewide emergency alert system. Secretary Dasenbrock responded that one of the drawbacks to the current system of capital outlay funding is that projects are requested by each institution, and not by the HED.

Speaker Lujan asked if the HED will only be requesting full funding for a few projects. Secretary Dasenbrock said that fewer projects will be requested, each one with enough funding to complete it. Funding recommendations will be fairly spread across the state, with each institution getting its share. Speaker Lujan said that funding projects in phases is crucial; otherwise, large facilities will never be built.

Representative Luciano "Lucky" Varela asked why the HED is refusing to implement the same student identification system that the public schools use. Secretary Dasenbrock said that the system uses a nine-number identification field, as does the federal Social Security Administration. Federal law prohibits institutions of higher education from using any identification moniker that could also be a social security number. He said that, within the next year, a program to add an additional field to the nine-number identification will become possible.

Representative Varela asked about capital outlay reporting by the institutions. Camille Anaya, capital projects coordinator for the HED, said that the department is investigating possibilities. One option would be for the institutions to perform their own auditing. Secretary Dasenbrock said that the HED needs more staff to meet its statutory requirements.

Representative Arnold-Jones asked the subcommittee to address cross-jurisdictional issues involving capital outlay funding, especially relating to information technology.

There being no further business, the subcommittee adjourned exactly on time, at 3:00 p.m.

